

MODERN FINANCE: A CATALYST FOR TRULY MODERN AGRICULTURE

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The research gap at the crossroads between financial innovation and innovation in agriculture is the main focus of this paper. It takes inspiration from the fallacies in the financial industry that prevent it to adequately satisfy the needs of a large share of the world population and especially of smallholder farmers, who are mostly underbanked and often have no choice but to rely on informal financial channels; as a consequence, valuable efforts aimed at making of the agricultural sector a truly modern market segment run the risk of being vanished.

What sounds especially appealing is the pursuit of the 17 Sustainable Development Goals that were adopted by the United Nations in 2015 and that cover challenging issues, such as ending poverty and hunger, responding to climate change, sustaining natural resources, as well as promoting sustainable agriculture and financial inclusion, in sight of fulfilling the generation pact. Based on these thoughts, the main objective is to investigate the crucial role that the three pillars of the financial system – i.e. financial markets, products and institutions – are likely to play in order to speed up the process of modernization in agriculture: four main areas of interest can be identified that consist of sustainable, inclusive, blended and rural finance, and that embody a set of strategic tools; their support to the agricultural sector ranges from its most traditional side to unprecedented forward steps, such as those that pertain to novel foods and simulated “Martian gardens”.

Focusing on finance, this is a qualitative research that draws upon empirical evidence and success stories: a framework for analysis is provided, in an attempt at promoting rural finance as a specialized discipline from a theoretical point of view and a peculiar market segment for operating purposes, with relevant sub-sets such as agricultural finance, agricultural value chain finance and agricultural microfinance. The proposed analysis allows to state that the financial industry should be called to pursue its modernization as a precondition for moving forward steps in the art of “doing” modern agriculture, being money a scarce resource and innovation a risky, capital intensive process.

The chosen approach has been crafted in order to properly combine the local and global perspectives, as suggested by the wider and wider endorsement of the *glocal* philosophy, and to join the search for the appropriate mix of competition and cooperation, in line with the *co-opetitive* vision. Conclusions encompass key messages and recommendations for policy interventions, as well as for further research and development: the rationale behind them features best practices that might be usefully disseminated, to the benefit of both the financial and the agricultural sectors, with related market segments too being involved; academic challenges also surface, that lead to emphasize the need for upgrading financial competence by furthering financial education and literacy, especially in rural areas and even within the context of lifelong learning activities.